



United States Department of State

Washington, D.C. 20520

UNITED STATES DEPARTMENT OF STATE
BUREAU OF POLITICAL MILITARY AFFAIRS
WASHINGTON, D.C. 20520

In the Matter of:

Security Assistance International, Inc.
and
Henry L. Lavery III

Respondents

CONSENT AGREEMENT

WHEREAS, the Office of Defense Trade Controls Compliance, Directorate of Defense Trade Controls ("DDTC"), Bureau of Political-Military Affairs, U.S. Department of State ("Department") has notified Henry L. Lavery III, and Security Assistance International, Inc. (the "Respondents") of its intent to institute an administrative proceeding pursuant to Section 38 of the Arms Export Control Act ("Act") (22 U.S.C. § 2778) and its implementing regulations, the International Traffic in Arms Regulations ("Regulations") (22 C.F.R. pts. 120-130), based on allegations of violations of Section 38 of the Act and Part 127 of the Regulations arising from activities of Henry L. Lavery and Security Assistance International, Inc. involving the unauthorized exports of a defense article, as set forth in the Draft Charging Letter attached hereto and incorporated by reference, herein;

WHEREAS, the Respondents wish to dispose of all civil charges, penalties and sanctions arising from the Draft Charging Letter by entering into this Consent Agreement;

WHEREAS, the Respondents have reviewed the Draft Charging Letter and this Consent Agreement, fully understand these documents and enter into this Agreement voluntarily and with full knowledge of their rights;

WHEREAS, the Department and the Respondents agree to be bound by this Agreement and a related administrative order ("Order") (attached) to be entered by the Assistant Secretary of State for Political-Military Affairs.

Now, WHEREFORE, the Department and the Respondent agree as follows:

Parties

(1) The Parties to this Agreement are the Department and the Respondents and the Respondents' successors, assignees, representatives and agents.

Jurisdiction

(2) The Department has jurisdiction over the Respondents under the Act and the Regulations in connection with the matters identified in the Draft Charging Letter.

Penalty

(3) A penalty of seventy five thousand dollars (\$75,000.00) is assessed, but shall be suspended on the condition that Mr. Lavery faithfully adheres to the terms and conditions of the Agreement. A material failure by Mr. Lavery to adhere to the terms and conditions of the Agreement may, in the discretion of the Department, result in a lifting of the suspension, in which case Mr. Lavery shall be required to pay the full seventy five thousand dollars (\$75,000.00) within 10 days of being notified by the Department to do so. Respondents agree that any payments made pursuant to this Agreement (a) will be treated as expressly unallowable costs under the Federal Acquisition Regulations and will not be reimbursed or sought to be reimbursed, directly or

indirectly, in cost or price of any federal contract, grant or subcontract; and (b) will not be taken as a federal tax deduction.

Debarment

(4) The Department will impose an administrative debarment against the Respondents in accordance with § 127.7 of the ITAR. Such debarment shall be for a period of one year from the date of the Order and, thereafter, shall remain in effect unless the Department reinstates export privileges pursuant to Section 38(g)(4) of the Act and Section 127.11 of the Regulations. One-year after the date of the Order, Respondents may apply for reinstatement pursuant to Section 127.11(b) of the Regulations. Such application must demonstrate to the satisfaction of the Department that the criteria for reinstatement in the foregoing provisions, including compliance with the Consent Agreement and Order, have been met. Pursuant to the debarment, the Respondents will be prohibited from participating directly or indirectly in the export of defense articles, including technical data, or in the furnishing of defense services or engaging in brokering activities, for which a license or other approval is required pursuant to the ITAR. Further, the Respondent will not materially benefit, directly or indirectly, from any export controlled by the Regulations, to include receiving a fee or other compensation in preparing applications for a license, other approvals, or other related export documentation. Notice of administrative debarment will be published in the Federal Register.

Understandings

(5) No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, when entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein, except as otherwise noted.

(6) The Parties agree that this Agreement is for settlement purposes only. For purposes of this Agreement, the Respondents neither admit nor deny the allegations in the Draft Charging Letter (including without

limitation those set forth in the "Relevant Facts" and "Charges" section of that letter). That said, the Respondents acknowledge the nature and seriousness of its violations alleged in the Draft Charging Letter and wish to make amends through a civil penalty referenced in paragraph (3) above, and through administrative debarment. If this Consent Agreement is not approved pursuant to an Order entered into by the Assistant Secretary for Political-Military Affairs, the Department and the Respondents agree that they may not use this Agreement in any administrative or judicial proceeding and that none of the parties shall be bound by the settlement terms contained in this Agreement in any subsequent administrative or judicial proceeding.

(7) The Department agrees that, upon signing of the Order and entry into force of this Agreement, this Agreement resolves with respect to the Respondents any civil penalties or sanctions imposed with respect to violations of Section 38 of the Act or the Regulations alleged in the Draft Charging Letter or arising from facts that the Respondents have disclosed in writing to the Department or that have been identified in the Draft Charging Letter.

Waiver

(8) The Respondents agree that, upon signing of the Order and entry into force of this Consent Agreement, they waive all rights to seek any further procedural steps in this matter, including an administrative hearing pursuant to Part 128 of the Regulations (except with respect to any alleged violation of this Consent Agreement or Order). The Respondent also waive all rights to seek administrative or judicial review or to otherwise contest the validity of this Consent Agreement, the Order, including in any action that may be brought for the enforcement of any civil fine, penalty or forfeiture in connection with this Consent Agreement or Order.

Documents to be Made Public

(9) The Respondents understand that the Department will make this Agreement, including the Annex of Compliance Measures, the Draft Charging Letter and the Order, when entered, available to the public.

When Order Becomes Effective

(10) This Consent Agreement shall become binding on the Department only when the Assistant Secretary for Political-Military Affairs approves it by entering the Order, which will have the same force and effect as a decision and Order issued after a full administrative hearing on the record.

U.S. Department of State

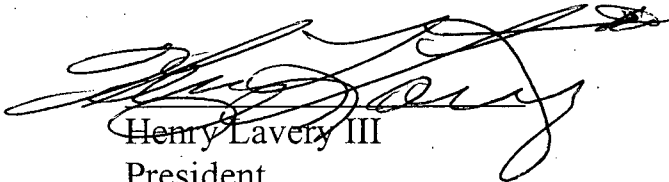


Dr. John Hillen
Assistant Secretary for
Political-Military Affairs

December, 12, 2006

(Date)

Security Assistance International



Henry Lavery III
President
Security Assistance International

Nov 21 2006
(Date)